



SEC

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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

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**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2018 AND ENDING 12/31/2018  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **Guzman & Company**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

**101 Aragon Avenue**

(No. and Street)

**Coral Gables****FL****33134**

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Alexis G. Miller

305-374-3600

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Morrison, Brown, Argiz & Farra, LLC**

(Name - if individual, state last, first, middle name)

**1450 Brickell Avenue, 18th floor Miami****FL****33131**

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:



Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

**SEC Mail Processing****MAR 07 2019****Washington, DC****FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (11-05)

Potential persons who are to respond to the collection of  
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**RMS**

## OATH OR AFFIRMATION

I, Alexis G. Miller, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Guzman & Company, as of December 31, 20 18, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



MARIA TERESA ANGEL  
NOTARY PUBLIC  
STATE OF FLORIDA  
Comm# GG061859  
Expires 1/11/2021

Maria Teresa Angel  
Notary Public

Alexis G. Miller  
Signature

Chief Financial Officer

Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

## GUZMAN & COMPANY

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholder  
of Guzman & Company

### **Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of Guzman & Company (the "Company") as of December 31, 2018 and the related notes and schedules (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of Guzman & Company as of December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

These financial statements are the responsibility of Guzman & Company's management. Our responsibility is to express an opinion on Guzman & Company's financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Guzman & Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

*Morrison, Brown, Argiz & Farra*

We have served as Guzman & Company's auditor since 1987.

Miami, Florida  
February 26, 2019

An independent member of Baker Tilly International

**GUZMAN & COMPANY**

**STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2018**

**ASSETS**

Cash and cash equivalents	\$ 3,606,166
Cash segregated under regulatory requirements (Note 4)	60,825
Deposits with clearing organizations	500,000
Receivable from clearing organizations (Note 5)	387,254
Other receivables	48,204
Due from related parties (Note 3)	1,656
Securities owned at fair value (Note 6)	155,223
Prepaid expenses and deposits	84,485
Furniture, equipment and leasehold improvements, net	130,694

<b>TOTAL ASSETS</b>	<b><u>\$ 4,974,507</u></b>
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**LIABILITIES AND STOCKHOLDER'S EQUITY**

Securities sold, not yet purchased, at fair value (Note 6)	\$ 443,780
Accounts payable and accrued expenses	235,361
Capital lease obligations (Note 11)	95,626
	<u>774,767</u>

<b>SUBORDINATED BORROWINGS (NOTE 9)</b>	<b><u>3,000,000</u></b>
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**COMMITMENTS AND CONTINGENCIES (NOTE 12)**

**STOCKHOLDER'S EQUITY**

Common stock, par value \$1.00 per share; 7,500 shares authorized; 2,000 shares issued and outstanding	\$ 2,000
Additional paid-in capital	400,645
Retained earnings	797,095
	<u>1,199,740</u>

<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b><u>\$ 4,974,507</u></b>
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The accompanying notes are an integral part of this statement of financial condition.

# GUZMAN & COMPANY

## NOTES TO STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2018

### 1. ORGANIZATION

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Guzman & Company (the "Company") is a Florida corporation registered with the Securities and Exchange Commission ("SEC") as a broker-dealer and is a member of the Financial Industry Regulatory Authority ("FINRA"), the New York Stock Exchange, the Nasdaq Stock Market, Inc. and the National Futures Association. The Company is a wholly owned subsidiary of Guzman, Inc.

The Company is engaged in a single line of business as a securities broker-dealer, which is comprised of several classes of services, including principal transactions, agency transactions, and participation in underwriting.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### **Basis of Presentation**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

#### **Securities Owned and Sold, but not yet Purchased, at Fair Value**

Securities owned and sold, but not yet purchased, are valued at fair value.

#### **Fair Value of Financial Instruments**

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 6. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular instruments. Changes in assumptions or in market conditions could significantly affect the estimates.

#### **Furniture, Equipment and Leasehold Improvements, net**

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation of these assets is computed over their estimated useful lives, 3 to 5 years, using the straight-line method. Leasehold improvements are amortized using the straight-line method over either the economic useful life of the improvement or the lease term, whichever is shorter.

#### **Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at December 31, 2018 and revenues and expenses during the year then ended. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statements.

#### **Government and Other Regulation**

The Company's business is subject to significant regulation by various governmental agencies and self-regulatory organizations. Such regulation includes, among other things, periodic examinations by these regulatory bodies to determine whether the Company is conducting and reporting its operations in accordance with the applicable requirements of these organizations. As a registered broker dealer, the Company is subject to the SEC's net capital rule (Rule 15c3-1), which requires that the Company maintain a minimum net capital, as defined.

#### **Subsequent Events**

The Company has evaluated subsequent events through February 26, 2019, which is the date the financial statements were available to be issued.

## GUZMAN & COMPANY

### NOTES TO STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2018

#### 3. RELATED PARTY TRANSACTIONS

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The Company entered into an expense sharing agreement with Guzman Energy LLC ("Energy") in August 2015. Energy is related to the Company by virtue of common ownership. The Company agreed to provide for certain employee compensation, benefits, and other administrative services in exchange for a monthly fee to be paid by Energy to the Company. The agreement remains in effect for one year with the option to renew in successive one year periods. The agreement can also be cancelled by either party with a 5 day notice of cancellation. As of December 31, 2018, the Company had \$0 due from Energy.

As of December 31, 2018, the Company had \$1,656 due from its affiliate Guzman Investment Strategies related to corporate filings.

#### 4. CASH SEGREGATED UNDER REGULATORY REQUIREMENTS

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Cash of \$60,825 has been segregated in a special reserve bank account for the benefit of customers under Rule 15c3-3 of the SEC.

#### 5. RECEIVABLE FROM AND PAYABLE TO BROKER-DEALERS AND CLEARING ORGANIZATIONS

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Receivables from clearing organizations at December 31, 2018 were \$387,254. Payables to broker-dealers and clearing organizations at December 31, 2018 were \$0.

The Company clears its proprietary and customer transactions on a fully disclosed basis through Merrill Lynch Broadcourt. Pursuant to a clearing agreement, the Company is required to maintain a certain minimum capital with the clearing organization, in the form of either cash or securities. The level is agreed upon from time to time based on the nature of the Company's clearing activities. As of December 31, 2018, the aggregate required minimum level of capital under the clearing agreement was \$500,000. The Company complies with clearing broker-dealer requirements for obtaining collateral from customers.

#### 6. FAIR VALUE MEASUREMENTS

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##### Fair Value Measurements

The Financial Accounting Standards Board ("FASB") ASC 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 Unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

**GUZMAN & COMPANY**

NOTES TO STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2018

**6. FAIR VALUE MEASUREMENTS (CONTINUED)**

**Determination of Fair Value**

The Company maintains policies and procedures to value its financial instruments using the highest level and most relevant data available. In addition, management reviews valuations, including independent price validation, for certain instruments.

The following describes the valuation methodologies the Company uses to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified.

For many financial instruments, fair value is based on independent sources such as quoted market prices or dealer price quotations. To the extent certain financial instruments trade infrequently or are not marketable, they may not have readily determinable fair values. In these instances, the Company estimates fair value using various pricing models and available information that management deems most relevant. Among the factors considered by the Company in determining the fair value of financial instruments are discounted anticipated cash flows, the cost, terms and liquidity of the instrument, the financial condition, operating results and credit ratings of the issuer or underlying company, the quoted market price of publicly traded securities with similar quality and yield, and other factors generally pertinent to the valuation of financial instruments.

**Corporate stocks and options.** Corporate stocks and options are valued based on quoted market prices. Corporate stocks that trade in active markets are classified within Level 1.

**Items Measured at Fair Value on a Recurring Basis**

The following table presents the Company's financial instruments that are measured at fair value on a recurring basis as of December 31, 2018, for each fair value hierarchy level.

December 31, 2018				
	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
Securities owned:				
Corporate stocks and options	\$ 155,223	\$ -	\$ -	\$ 155,223
Total	\$ 155,223	\$ -	\$ -	\$ 155,223

December 31, 2018				
	Level 1	Level 2	Level 3	Total
<b>LIABILITIES</b>				
Securities sold, not yet purchased:				
Corporate stocks and options	\$ 443,780	\$ -	\$ -	\$ 443,780
Total	\$ 443,780	\$ -	\$ -	\$ 443,780

**Items Measured at Fair Value on a Non-Recurring Basis**

The Company does not have any financial assets or liabilities that are measured at fair value on a non-recurring basis as of December 31, 2018.



# GUZMAN & COMPANY

## NOTES TO STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2018

### 7. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

The Company enters into various transactions involving off-balance sheet financial instruments. These financial instruments include securities purchased and sold on a when-issued basis (when-issued securities). These financial instruments are used to meet the needs of customers, conduct trading activities, and manage market risks and are, therefore, subject to varying degrees of market and credit risk.

The Company's customer securities activities are provided to a diverse group of governmental, institutional, corporate and individual investors. In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker/dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

### 8. NET CAPITAL REQUIREMENT

The Company, as a registered broker-dealer in securities, is subject to the SEC's Net Capital Rule (Rule 15c3-1), which requires that the Company maintain "Net Capital" equal to the greater of \$250,000 or 6 2/3% of "Aggregate Indebtedness", as defined, and requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. At December 31, 2018, the Company's "Net Capital" was \$3,920,446 which was \$3,670,446 in excess of the "Required Net Capital" of \$250,000. At December 31, 2018, the Company's ratio of aggregate indebtedness to net capital was 0.08 to 1.

### 9. SUBORDINATED BORROWINGS

As of December 31, 2018, the Company has two subordinated loan agreements with its majority stockholder which total \$3,000,000, bear interest at 5% per year and mature on June 14, 2019. The loan agreements renew automatically at the maturity date for an additional one year term.

The subordinated borrowings are covered by agreements approved by FINRA and are thus allowable in computing net capital under the SEC's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid (NOTE 8).

### 10. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

Furniture, equipment and leasehold improvements, net, are summarized as follows:

Furniture and Equipment	\$ 337,582
Leasehold Improvements	216,187
Equipment held under capital lease	119,146
	<u>672,915</u>
Less accumulated depreciation and amortization	(542,221)
	<u>\$ 130,694</u>

# GUZMAN & COMPANY

## NOTES TO STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2018

### 11. CAPITAL LEASE OBLIGATIONS

The Company leases certain equipment under separate non-cancelable capital leases expiring in various dates through 2023. As of December 31, 2018, the leased property has a recorded cost of \$119,146 and a total accumulated amortization of \$23,521.

As of December 31, 2018, future minimum lease payments under these capital leases are as follows:

<u>For the years ended December 31,</u>		
2019	\$	31,975
2020		31,975
2021		31,873
2022		4,260
2023		506
<hr/>		
Total future minimum lease payments	\$	100,589
Less: amount representing interest		4,963
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Present value of minimum lease payments	\$	95,626
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### 12. COMMITMENTS AND CONTINGENCIES

#### Operating Leases

The Company is required to make rental payments under non-cancelable operating leases for office space through November 30, 2019. At December 31, 2018, future minimum rental commitments under the non-cancelable lease are approximately as follows:

<u>Year ending December 31:</u>		
2019	\$	27,000

#### Litigation

Certain claims, lawsuits and complaints arising in the ordinary course of business have been filed or are pending against the Company. In the opinion of management, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Company, if disposed of unfavorably.